

SHERMAN TOWNSHIP, OSCEOLA COUNTY

JUSTIN, MICHIGAN

MARCH 31, 2004

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Sherman Township</b>	County <b>Osceola</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>5/5/04</b>	Date Accountant Report Submitted to State: <b>July 16, 2004</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>BAIRD, COTTER AND BISHOP, P.C.</b>			
Street Address <b>134 W. HARRIS STREET</b>		City <b>CADILLAC</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49601</b>	Date <b>7/14/04</b>

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

MARCH 31, 2004

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGES</u>
Independent Auditors' Report .....		1-2
 <u>GENERAL-PURPOSE FINANCIAL STATEMENTS</u>		
Combined Statement of Assets and Liabilities Arising from Cash Transactions - All Fund Types and Account Group .....	A	3
Combined Statement of Cash Receipts, Disbursements and Changes in Balance - All Governmental Fund Types .....	B	4
Combined Statement of Cash Receipts, Disbursements and Changes in Balance - Budget and Actual - All Governmental Fund Types .....	C	5
Notes to Financial Statements .....		6-13
 <u>FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS</u>		
	<u>STATEMENT</u>	
 <u>General Fund</u>		
Statement of Assets and Liabilities Arising from Cash Transactions .....	1	14
Statement of Cash Receipts, Disbursements and Changes in Balance - Budget and Actual .....	2	15-16
Analysis of Cash Receipts .....	3	17
Analysis of Cash Disbursements .....	4	18-22
 <u>Special Revenue Funds</u>		
Combining Statement of Assets and Liabilities Arising from Cash Transactions .....	5	23
Combining Statement of Cash Receipts, Disbursements and Changes in Balance - Budget and Actual .....	6	24
 <u>Fire Fund</u>		
Statement of Assets and Liabilities Arising from Cash Transactions .....	7	25
Statement of Cash Receipts, Disbursements and Changes in Balance - Budget and Actual .....	8	26

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

MARCH 31, 2004

TABLE OF CONTENTS

	<u>STATEMENT</u>	<u>PAGES</u>
<u>Road Fund</u>		
Statement of Assets and Liabilities Arising from Cash Transactions .....	9	27
Statement of Cash Receipts, Disbursements and Changes in Balance - Budget and Actual .....	10	28
<u>Agency Fund</u>		
<u>Current Tax Collection Fund</u>		
Statement of Assets and Liabilities Arising from Cash Transactions .....	11	29
Statement of Cash Receipts, Disbursements and Changes in Balance .....	12	30-31
<u>General Fixed Assets Group of Accounts</u>		
Statement of Changes in General Fixed Assets .....	13	32
<u>OTHER INFORMATION</u>		
Statement of 2003 Tax Roll .....	14	33-34
Letter of Comments and Recommendations .....		35
Letter of Reportable Conditions .....		36

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

*Baird, Cotter and Bishop, P.C.*

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

May 5, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board  
Sherman Township  
Osceola County  
Tustin, Michigan

We have audited the accompanying general-purpose financial statements of Sherman Township, Osceola County, Tustin, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Township. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I.B, the Township's policy is to prepare its general-purpose financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of Sherman Township, Osceola County, Tustin, Michigan as of March 31, 2004, and the cash receipts it received and cash disbursements it paid for the year then ended on the basis of accounting described in Note I.B.

Our examination was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Financial Statements of Individual Funds" and "Other Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the examination of the general-purpose financial statements, and in our opinion, it is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

ALL FUND TYPES AND ACCOUNT GROUP  
MARCH 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
<u>ASSETS</u>		
Cash		
Money Market Account	\$ 53,785	\$ 38,388
Certificates of Deposit	155,599	62,207
Taxes Receivable	8,386	5,600
Land and Land Improvements	0	0
Buildings and Improvements	0	0
Machinery and Equipment	0	0
Furniture and Fixtures	0	0
	<hr/>	<hr/>
TOTAL ASSETS	\$ 217,770	\$ 106,195
	<hr/>	<hr/>
<u>LIABILITIES AND EQUITY</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$ 8,386	\$ 5,600
Payroll Withholdings	266	0
	<hr/>	<hr/>
Total Liabilities	\$ 8,652	\$ 5,600
	<hr/>	<hr/>
<u>EQUITY</u>		
Investment in General Fixed Assets	\$ 0	\$ 0
Balance		
Unreserved	209,118	0
Reserved for Road Maintenance	0	100,595
	<hr/>	<hr/>
Total Equity	\$ 209,118	\$ 100,595
	<hr/>	<hr/>
TOTAL LIABILITIES AND EQUITY	\$ 217,770	\$ 106,195
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTAL (MEMORANDUM ONLY)
AGENCY	GENERAL FIXED ASSETS	
\$ 2,801	\$ 0	\$ 94,974
0	0	217,806
0	0	13,986
0	19,534	19,534
0	89,183	89,183
0	34,915	34,915
0	13,019	13,019
<u>\$ 2,801</u>	<u>\$ 156,651</u>	<u>\$ 483,417</u>
\$ 0	\$ 0	\$ 13,986
<u>0</u>	<u>0</u>	<u>266</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,252</u>
\$ 0	\$ 156,651	\$ 156,651
2,801	0	211,919
<u>0</u>	<u>0</u>	<u>100,595</u>
<u>\$ 2,801</u>	<u>\$ 156,651</u>	<u>\$ 469,165</u>
<u>\$ 2,801</u>	<u>\$ 156,651</u>	<u>\$ 483,417</u>

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED MARCH 31, 2004

	GOVERNMENTAL FUND TYPES		TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	
<u>RECEIPTS</u>			
Taxes	\$ 20,510	\$ 87,773	\$ 108,283
Licenses and Permits	550	0	550
State Grants	79,635	0	79,635
Charges for Services	3,875	0	3,875
Interest and Rents	5,402	280	5,682
Other Receipts	400	0	400
Total Receipts	\$ 110,372	\$ 88,053	\$ 198,425
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 4,302	\$ 0	\$ 4,302
General Government			
Supervisor	5,681	0	5,681
Elections	259	0	259
Assessor	10,769	0	10,769
Clerk	9,847	0	9,847
Board of Review	2,430	0	2,430
Treasurer	11,273	0	11,273
Building and Grounds	63,132	0	63,132
Cemetery	11,877	0	11,877
Public Safety	1,916	44,063	45,979
Public Works	2,584	0	2,584
Community and Economic Development	11,727	0	11,727
Recreation and Cultural	3,463	0	3,463
Other Functions	9,160	0	9,160
Total Disbursements	\$ 148,420	\$ 44,063	\$ 192,483
Excess of Receipts Over (Under) Disbursements	\$ (38,048)	\$ 43,990	\$ 5,942
<u>BALANCE - April 1, 2003</u>	247,166	56,605	303,771
<u>BALANCE - March 31, 2004</u>	\$ 209,118	\$ 100,595	\$ 309,713

The accompanying notes are an integral part of these financial statements.

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
BUDGET AND ACTUAL

ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes	\$ 6,431	\$ 20,510	\$ 14,079
Licenses and Permits	1,000	550	(450)
State Grants	85,250	79,635	(5,615)
Charges for Services	15	3,875	3,860
Interest and Rents	4,000	5,402	1,402
Other Receipts	1,227	400	(827)
Total Receipts	\$ 97,923	\$ 110,372	\$ 12,449
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 5,158	\$ 4,302	\$ 856
General Government			
Supervisor	7,023	5,681	1,342
Elections	300	259	41
Assessor	11,716	10,769	947
Clerk	10,633	9,847	786
Board of Review	3,365	2,430	935
Treasurer	13,550	11,273	2,277
Building and Grounds	65,800	63,132	2,668
Cemetery	11,797	11,877	(80)
Public Safety	3,630	1,916	1,714
Public Works	5,260	2,584	2,676
Community and Economic Development	14,528	11,727	2,801
Recreation and Cultural	3,570	3,463	107
Other Functions	10,098	9,160	938
Contingency	500	0	500
Total Disbursements	\$ 166,928	\$ 148,420	\$ 18,508
Excess of Receipts Over (Under) Disbursements	\$ (69,005)	\$ (38,048)	\$ 30,957
<u>BALANCE - April 1, 2003</u>	284,615	247,166	(37,449)
<u>BALANCE - March 31, 2004</u>	\$ 215,610	\$ 209,118	\$ (6,492)

The accompanying notes are an integral part of these financial statements.

EXHIBIT CSPECIAL REVENUE FUNDS

BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 83,545	\$ 87,773	\$ 4,228
0	0	0
0	0	0
0	0	0
900	280	(620)
0	0	0
\$ 84,445	\$ 88,053	\$ 3,608
\$ 0	\$ 0	\$ 0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
40,917	44,063	(3,146)
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
\$ 40,917	\$ 44,063	\$ (3,146)
\$ 43,528	\$ 43,990	\$ 462
0	56,605	56,605
\$ 43,528	\$ 100,595	\$ 57,067

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Sherman Township is a general law township located in Osceola County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Township has no long-term debts which would be recorded in the general long-term debt account group.

The Township has the following fund types and account group:

Governmental funds are used to account for the Township's general government activities. The Township uses the flow of economic resources measurement focus and the modified cash basis of accounting for this fund which is an other comprehensive basis of accounting (OCBOA). Under the modified cash basis of accounting, revenues are recognized when collected (i.e., when cash is received). Expenditures are recorded when cash is disbursed.

Governmental funds include the following fund type:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

The Current Tax Collection Fund is an agency fund and is custodial in nature. It does not present results of operation or have a measurement focus. The agency fund also uses the modified cash basis of accounting. This fund is used to account for property tax collections which the township makes and distributes for others in an agency capacity.

Account Group. The General Fixed Asset Account Group is used to account for fixed assets of the Township.

**C. Assets, Liabilities and Equity**

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities or twelve months or less from date of acquisition.

(I) The Township has authorized the Treasurer to invest funds as follows:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
- (c) In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) In repurchase agreements consisting of instruments listed in subdivision (a).
- (e) In bankers' acceptances of United States banks.
- (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

- (g) Mutual funds registered under the investment company act of 1940, title I chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
- (i) The purchase of securities on a when-issued or delayed delivery basis.
  - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) In obligations described in subdivision (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.11 to 129.118.
- (j) In the investment pools organized under the local government investment pool act, 1986 PA 121, MCL 129.141 to 129.150.
- (II) A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- (III) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- (IV) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
2. Receivables and Payables

Under the modified cash basis of accounting, the only noncash asset recorded is a receivable for uncollected property taxes. This receivable is entirely offset by a deferred revenue liability account so that income is only recognized when cash is received. The only other liabilities recognized are for unremitted payroll tax withholdings.

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

3. Fixed Assets and Long-Term Liabilities

Fixed assets used in governmental fund types (general fixed assets) are accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group.

4. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund elimination's have not been made in the aggregation of this data.

5. Use of Estimates

This presentation of financial statements on the modified cash basis of accounting requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified cash basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted in March 2003, or as amended by the Township Board from time to time throughout the year.

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Excess of Expenditures Over Appropriations**

For the year ended March 31, 2004, expenditures exceeded appropriations in the Fire Fund by \$3,146. This over expenditure was funded by excess of revenues over budgeted revenues.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

At year-end, the carrying amount of the Township's deposits was \$312,780 and the bank balance was \$314,240, of which \$165,008 was covered by Federal Depository Insurance, and the remaining \$149,232 was uninsured and uncollateralized.

The carrying amount of the Township's deposits at year-end are shown below:

	GENERAL FUND	SPECIAL REVENUE FUNDS	CURRENT TAX COLLECTION FUND
Citizen's Bank			
Cadillac, Michigan			
Money Market Accounts	\$ 53,785	\$ 38,388	\$ 2,801
Certificates of Deposit	155,599	0	0
Lake - Osceola State Bank			
Tustin, Michigan			
Certificates of Deposit	0	62,207	0
	<u>\$ 209,384</u>	<u>\$ 100,595</u>	<u>\$ 2,801</u>

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

**B. Fixed Assets**

Activity in the general fixed assets account group for the township for the year ended March 31, 2004, was as follows:

	BALANCE 4/1/03	ADDITIONS	DELETIONS	BALANCE 3/31/04
Land and Land Improvements	\$ 19,534	\$ 0	\$ 0	\$ 19,534
Buildings and Improvements	33,296	55,887	0	89,183
Machinery and Equipment	31,229	3,686	0	34,915
Furniture and Fixtures	13,019	0	0	13,019
	<u>\$ 97,078</u>	<u>\$ 59,573</u>	<u>\$ 0</u>	<u>\$ 156,651</u>

**C. Fire Fund**

These financial statements show the transactions of the township fire fund as they would have occurred if all fire monies received for current and delinquent taxes were sent to the fire fund before being sent to the Tustin Area Fire District. The payments are being sent to the Tustin Area Fire District directly from the current tax fund and from the General Fund due to the substantial savings of time and bookkeeping procedures.

Also, there are no taxes receivable or deferred revenue reflected in the fire fund because the Township paid the fire district the entire amount of the 2003 tax levy and the Township therefore, will keep all delinquent tax paid off by the county.

**IV. OTHER INFORMATION**

**A. Retirement Plan**

The Township has a defined contribution pension plan with Municipal Retirement Systems, Inc. which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. Each employee is 100% vested upon entering the plan. An employee's normal retirement date is age 65 or the 5th anniversary of the first day of the plan year in which participation in the plan commenced.

The formula for determining contributions is based on an employee's annual compensation. The Township has elected to contribute 10% of compensation to the plan annually. Past service credit is calculated as 3% of current compensation for each year of past service to a maximum of 10 years.

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

Township contributions to the plan for 2003-04 amounted to \$3,700. In addition, the Township paid a \$185 service fee.

For the 2003-04 year, total covered payroll amounted to \$37,003 and total wages including non-covered payroll was \$43,309.

**B. Property Taxes**

The Township levied 4.9674 mills in tax on a state taxable value of \$22,032,735 on the 2003 tax roll. The 4.9674 mill levy was for the following purposes:

Road Improvement	1.9890
Fire Protection	2.0000
General Operations	<u>0.9784</u>
	<u>4.9674</u>

The date of the levy was December 1, at which time the taxes become an enforceable lien against the property. Taxes are due and payable to the township treasurer on or before February 28. After February 28, the property taxes are payable to the Osceola County Treasurer. Property taxes levied December 1 which are collected prior to the end of the fiscal year are recognized as income in the year in which they are levied.

**C. Interest Income and Expense**

For the year ended March 31, 2004, interest income and expense was as follows:

	INTEREST	
	INCOME	EXPENSE
General Fund	\$ 5,142	\$ 0
Road Fund	280	0
TOTAL	<u>\$ 5,422</u>	<u>\$ 0</u>

Note - Interest income earned in the Current Tax Collection Fund is periodically transferred to the General Fund and is shown as General Fund interest income.

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

**D. Current Tax Collection Fund Balance**

The balance of \$2,801 remaining in the current tax collection fund at March 31, 2004, consists of commercial forest, administration fees and interest earnings which are payable as follows:

State of Michigan	\$ 96
Osceola County	24
Pine River Area Schools	3
Marion Public Schools	5
Wexford Missaukee Intermediate School	1
Sherman Township	2,672
	<u>\$ 2,801</u>

**E. Joint Fire District**

The Township is a member of the Tustin Area Fire District. The Fire District is a joint venture of Burdell, Dover and Sherman Townships created to provide fire protection for the member townships. As stated in NOTE IV. B, Sherman Township levies 2.0000 mills to support the Fire District. The following financial information was taken from the Fire District's February 28, 2002, audited financial statements:

Total Assets	\$ 619,334
Investment in Fixed Assets	578,972
Fund Balance - Unreserved	40,362
Total Receipts	112,628
Total Disbursements	212,006
Net Increase (Decrease) in Fund Balance	(69,378)

A copy of these audited financial statements may be obtained upon request from the Fire District treasurer.

**F. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions, and worker's compensation insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

GENERAL FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

ASSETS

Cash	
Money Market Account	\$ 53,785
Certificates of Deposit	155,599
Taxes Receivable	<u>8,386</u>
TOTAL ASSETS	<u>\$ 217,770</u>

LIABILITIES AND EQUITY

LIABILITIES

Deferred Revenue	\$ 8,386
Payroll Withholdings	<u>266</u>
Total Liabilities	\$ 8,652

EQUITY

Balance	
Unreserved	<u>209,118</u>

TOTAL LIABILITIES AND EQUITY	<u>\$ 217,770</u>
------------------------------	-------------------

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

GENERAL FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes	\$ 6,431	\$ 20,510	\$ 14,079
Licenses and Permits	1,000	550	(450)
State Grants	85,250	79,635	(5,615)
Charges for Services	15	3,875	3,860
Interest and Rents	4,000	5,402	1,402
Other Receipts	1,227	400	(827)
Total Receipts	\$ 97,923	\$ 110,372	\$ 12,449
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 5,158	\$ 4,302	\$ 856
General Government			
Supervisor	7,023	5,681	1,342
Elections	300	259	41
Assessor	11,716	10,769	947
Clerk	10,633	9,847	786
Board of Review	3,365	2,430	935
Treasurer	13,550	11,273	2,277
Building and Grounds	65,800	63,132	2,668
Cemetery	11,797	11,877	(80)
Public Safety			
Fire Department	3,079	1,365	1,714
Ordinance Enforcement	551	551	0

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

GENERAL FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
Public Works	5,260	2,584	2,676
Community and Economic Development			
Planning and Zoning	14,528	11,727	2,801
Recreation and Cultural			
Recreation and Parks	3,570	3,463	107
Other Functions	10,098	9,160	938
Contingency	500	0	500
Total Disbursements	\$ 166,928	\$ 148,420	\$ 18,508
Excess of Receipts Over (Under) Disbursements	\$ (69,005)	\$ (38,048)	\$ 30,957
<u>BALANCE</u> - April 1, 2003	284,615	247,166	(37,449)
<u>BALANCE</u> - March 31, 2004	\$ 215,610	\$ 209,118	\$ (6,492)

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH RECEIPTS  
FOR THE YEAR ENDED MARCH 31, 2004

TAXES

Current Property Tax	\$ 13,166
Delinquent Property Tax and Interest	7,331
Payment in Lieu of Taxes	<u>13</u>

Total Taxes	\$ 20,510
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LICENSES AND PERMITS

Zoning Permits	550
----------------	-----

STATE GRANTS

State Revenue Sharing	
Sales and Use Tax	79,635

CHARGES FOR SERVICES

Grave Openings	3,875
----------------	-------

INTEREST AND RENTS

Interest Earnings	\$ 5,142
Rents and Royalties	<u>260</u>

Total Interest and Rents	5,402
--------------------------	-------

OTHER RECEIPTS

Miscellaneous	\$ 100
Sale of Cemetery Lots	<u>300</u>

Total Other Receipts	<u>400</u>
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TOTAL CASH RECEIPTS	<u>\$ 110,372</u>
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SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages	\$	3,308
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Other Services and Charges

Dues and Fees		436
---------------	--	-----

Transportation and Expense		18
----------------------------	--	----

Printing and Publishing		540
-------------------------	--	-----

Total Legislative

\$ 4,302

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages	\$	5,232
--------------------	----	-------

Salaries and Wages - Deputy		378
-----------------------------	--	-----

Supplies

Office Supplies		6
-----------------	--	---

Other Services and Charges

Transportation and Expense		59
----------------------------	--	----

Communications		6
----------------	--	---

Total Supervisor

\$ 5,681

Elections

Capital Outlay

Equipment		259
-----------	--	-----

Assessor

Supplies

Office Supplies	\$	2,193
-----------------	----	-------

Other Services and Charges

Contracted Services		8,058
---------------------	--	-------

Postage		341
---------	--	-----

Telephone		25
-----------	--	----

Transportation and Expense		152
----------------------------	--	-----

Total Assessor

10,769

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

Clerk

Personal Services

Salaries and Wages	\$	8,795
Salaries and Wages - Deputy		407

Supplies

Office Supplies		29
-----------------	--	----

Other Services and Charges

Communications		55
Contracted Services		215
Transportation and Expense		104
Miscellaneous		242

Total Clerk

9,847

Board of Review

Personal Services

Salaries and Wages	\$	420
Per Diem		1,470

Other Services and Charges

Seminars and Training		280
Transportation and Expense		104
Printing and Publishing		139
Miscellaneous		17

Total Board Review

2,430

Treasurer

Personal Services

Salaries and Wages	\$	6,478
Salaries and Wages - Deputy		378

Supplies

Office Supplies		1,540
-----------------	--	-------

Other Services and Charges

Transportation and Expense		515
Printing and Publishing		1,895
Communications		26
Miscellaneous		322

Capital Outlay

Equipment		119
-----------	--	-----

Total Treasurer

11,273

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

Building and Grounds

Supplies

Operating Supplies \$ 383

Other Services and Charges

Contracted Services 330

Printing and Publishing 94

Public Utilities 1,658

Communications 595

Miscellaneous 2,086

Capital Outlay

Machinery and Equipment 2,099

Building and Improvements 55,887

Total Building and Grounds

63,132

Cemetery

Personal Services

Salaries and Wages \$ 8,517

Supplies

Operating Supplies 211

Other Services and Charges

Transportation 43

Aid to Other Governments 1,250

Trash Removal 480

Miscellaneous 1,197

Capital Outlay

Equipment 179

Total Cemetery

11,877

Total General Government

115,268

PUBLIC SAFETY

Fire Department

Personal Services

Salaries and Wages \$ 1,365

Ordinance Enforcement

Personal Services

Salaries and Wages 551

Total Public Safety

1,916

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

PUBLIC WORKS

Highways, Streets and Bridges  
 Other Services and Charges  
 Miscellaneous

2,584

COMMUNITY AND ECONOMIC DEVELOPMENT

Planning and Zoning  
 Personal Services  
     Salaries and Wages  
 Supplies  
     Office Supplies  
 Other Services and Charges  
     Postage  
     Subscriptions  
     Contracted Services  
     Communications  
     Printing and Publishing  
     Miscellaneous

\$ 5,576

120

16

23

5,597

299

94

2

Total Planning and Zoning

11,727

Total Community and Economic Development

11,727

RECREATION AND CULTURAL

Recreation and Parks  
 Personal Services  
     Salaries and Wages  
 Other Services and Charges  
     Contracted Services  
     Public Utilities  
     Miscellaneous  
 Capital Outlay  
     Equipment

\$ 662

729

76

966

1,030

Total Recreation and Cultural

3,463

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

GENERAL FUND

ANALYSIS OF CASH DISBURSEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

OTHER FUNCTIONS

Insurance and Bonds		\$	4,647	
Employee Benefits				
Medicare and Social Security	\$	628		
Pension Contribution		<u>3,885</u>		
Total Employee Benefits			<u>4,513</u>	
Total Other Functions				<u>9,160</u>
TOTAL CASH DISBURSEMENTS				<u>\$ 148,420</u>

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

<u>ASSETS</u>	<u>FIRE FUND</u>	<u>ROAD FUND</u>	<u>TOTAL</u>
Cash			
Money Market Account	\$ 0	\$ 38,388	\$ 38,388
Certificate of Deposits	0	62,207	62,207
Taxes Receivable	0	5,600	5,600
	<u>0</u>	<u>106,195</u>	<u>106,195</u>
TOTAL ASSETS	<u>\$ 0</u>	<u>\$ 106,195</u>	<u>\$ 106,195</u>
 <u>LIABILITIES AND EQUITY</u>			
<u>Liabilities</u>			
Deferred Revenue	\$ 0	\$ 5,600	\$ 5,600
<u>Equity</u>			
Balance			
Reserved for Road Maintenance	0	100,595	100,595
TOTAL LIABILITIES AND EQUITY	<u>\$ 0</u>	<u>\$ 106,195</u>	<u>\$ 106,195</u>

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	<u>FIRE FUND</u>	<u>ROAD FUND</u>	<u>TOTAL</u>
<u>RECEIPTS</u>			
Taxes	\$ 44,063	\$ 43,710	\$ 87,773
Interest	<u>0</u>	<u>280</u>	<u>280</u>
Total Receipts	\$ 44,063	\$ 43,990	\$ 88,053
<u>DISBURSEMENTS</u>			
Public Safety	<u>44,063</u>	<u>0</u>	<u>44,063</u>
Excess of Receipts Over (Under) Disbursements	\$ 0	\$ 43,990	\$ 43,990
<u>BALANCE</u> - April 1, 2003	<u>0</u>	<u>56,605</u>	<u>56,605</u>
<u>BALANCE</u> -March 31, 2004	<u>\$ 0</u>	<u>\$ 100,595</u>	<u>\$ 100,595</u>

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

FIRE FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

ASSETS

Cash

\$ 0

EQUITY

Balance

Reserved for Fire Protection

\$ 0

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

FIRE FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<u>RECEIPTS</u>			
Taxes			
Current Property Taxes	\$ 40,917	\$ 44,063	\$ 3,146
<u>DISBURSEMENTS</u>			
Public Safety			
Aid to Other Government			
Tustin Area Fire District	40,917	44,063	(3,146)
Excess of Receipts Over (Under) Disbursements	\$ 0	\$ 44,063	\$ 0
<u>BALANCE - April 1, 2003</u>	0	0	0
<u>BALANCE - March 31, 2004</u>	\$ 0	\$ 0	\$ 0

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

ROAD FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

ASSETS

Cash	
Money Market Account	\$ 38,388
Certificate of Deposit	62,207
Taxes Receivable	<u>5,600</u>
 TOTAL ASSETS	 \$ <u>106,195</u>

LIABILITIES AND EQUITY

<u>Liabilities</u>	
Deferred Revenue	\$ 5,600
 <u>Equity</u>	
Balance	
Reserved for Road Maintenance	<u>100,595</u>
 TOTAL LIABILITIES AND EQUITY	 \$ <u>106,195</u>

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

ROAD FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes			
Current Property Taxes	\$ 42,628	\$ 38,219	\$ (4,409)
Delinquent Property Taxes	0	5,491	5,491
Interest Earnings	900	280	(620)
Total Receipts	\$ 43,528	\$ 43,990	\$ 462
<u>DISBURSEMENTS</u>			
Public Works			
Highway, Streets and Bridges			
Other Services and Charges			
Repairs and Maintenance	0	0	0
Excess of Receipts Over (Under) Disbursements	\$ 43,528	\$ 43,990	\$ 462
<u>BALANCE</u> - April 1, 2003	0	56,605	56,605
<u>BALANCE</u> - March 31, 2004	\$ 43,528	\$ 100,595	\$ 57,067

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
MARCH 31, 2004

ASSETS

Cash	
Money Market Account	\$ <u>2,801</u>

EQUITY

Balance	
Unreserved (See NOTE IV.D)	\$ <u>2,801</u>

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Current Tax Collections		\$	674,118
Delinquent Tax			3,658
Late Payment Penalties			1,313
Dog License Fees			47
Interest Earnings			254
Overcollections from Taxpayers			3,506
Commercial Forest			142
Total Receipts		\$	683,038

DISBURSEMENTS

Payments to State Treasurer			
Commercial Forest		\$	96
Payments to County Treasurer			
Current Tax	\$	280,477	
Delinquent Tax		1,189	
Commercial Forest		24	
Late Payment Penalties		54	
Dog Licenses		47	
			281,791
Payments to Township Treasurer			
Current Tax			
Operating	\$	13,166	
Road		38,219	
Fire		44,063	
Commercial Forest		13	
Delinquent Tax		402	
Interest Earnings		96	
			95,959
Payments to School Treasurer			
Pine River Area Schools			
Current Tax	\$	141,941	
Delinquent Tax		1,540	
Commercial Forest		3	
Marion Public Schools			
Current Tax		35,023	
Commercial Forest		5	
Cadillac Area Schools			
Current Tax		5,926	
			184,438

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE -

FOR THE YEAR ENDED MARCH 31, 2004

Payments to Intermediate School Treasurer			
Current Tax	\$	115,303	
Delinquent Tax		430	
Commercial Forest		<u>1</u>	115,734
Refund to Taxpayers for Overcollections			3,506
Service Charges to Bank			<u>101</u>
Total Disbursements			<u>681,625</u>
Excess of Receipts Over (Under) Disbursements	\$		1,413
<u>BALANCE</u> - April 1, 2003			<u>1,388</u>
<u>BALANCE</u> - March 31, 2004	\$		<u><u>2,801</u></u>

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

GENERAL FIXED ASSETS GROUP OF ACCOUNTS

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS  
FOR THE YEAR ENDED MARCH 31, 2004

	BALANCE 4/1/03	ADDITIONS	DELETIONS	BALANCE 3/31/04
<u>GENERAL FIXED ASSETS</u>				
Land and Land Improvements	\$ 19,534	\$ 0	\$ 0	\$ 19,534
Buildings and Improvements	33,296	55,887	0	89,183
Machinery and Equipment	31,229	3,686	0	34,915
Furniture and Fixtures	13,019	0	0	13,019
	<u>\$ 97,078</u>	<u>\$ 59,573</u>	<u>\$ 0</u>	<u>\$ 156,651</u>
<u>INVESTMENT IN GENERAL FIXED ASSETS</u>	<u>\$ 97,078</u>	<u>\$ 59,573</u>	<u>\$ 0</u>	<u>\$ 156,651</u>

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

STATEMENT OF 2003 TAX ROLL  
MARCH 31, 2004

TAXES ASSESSED

County

Operating	\$ 141,309
Commission on Aging	17,486
Voted Road Patrol	21,284
Voted EMS	21,859
State Education Tax	110,162

Township

Operating	21,553
Road	43,819
Fire	44,063

Schools

Pine River Area Schools	156,578
Marion Public Schools	40,008
Cadillac Area Public Schools	6,259

Intermediate School

132,199      \$ 756,579

TAXES COLLECTED

County

Operating	\$ 123,249
Commission on Aging	15,250
Voted Road Patrol	18,564
Voted EMS	19,065
State Education Tax	104,349

Township

Operating	18,798
Road	38,219
Fire	38,431

Schools

Pine River Area Schools	141,941
Marion Public Schools	35,023
Cadillac Area Public Schools	5,926

Intermediate School

115,303      674,118

SHERMAN TOWNSHIP, OSCEOLA COUNTY  
TUSTIN, MICHIGAN

STATEMENT OF 2003 TAX ROLL  
MARCH 31, 2004

TAXES RETURNED DELINQUENT

County

Operating	\$ 18,060
Commission on Aging	2,236
Voted Road Patrol	2,720
Voted EMS	2,794
State Education Tax	5,813

Township

Operating	2,755
Roads	5,600
Fire	5,632

Schools

Pine River Area Schools	14,637
Marion Public Schools	4,985
Cadillac Area Public Schools	333

Intermediate School	16,896	\$ <u>82,461</u>
---------------------	--------	------------------

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

May 5, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Sherman Township  
Osceola County  
Tustin, Michigan

As a result of our audit of the general-purpose financial statements of Sherman Township for the year ended March 31, 2004, we would like to note the following:

Budgeting

Total disbursements in the Township's Fire Fund exceeded budgeted appropriations. The Township should amend the budget increasing total budgeted appropriations prior to incurring excess disbursements. Also, one function within the General Fund exceeded appropriations.

Computerized Recordkeeping

The current recordkeeping has improved from the prior audit, we commend the clerk and treasurer for the improvements made since the Township's last audit.

GASB 34

The Governmental Accounting Standards Board has issued Statement #34. The implementation date of the Township for GASB 34 would be for the year ending March 31, 2005. We will assist the Township with complying with any GASB 34 requirements of the State of Michigan as the implementation date draws closer.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
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MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

May 5, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Sherman Township  
Osceola County  
Tustin, Michigan

In planning and performing our audit of the general-purpose financial statements of Sherman Township, Osceola County, Tustin, Michigan for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*